



Natural hot spring Ryoun no Yu Onyado Nono Asakusa



Kotohira hot spring Onyado Shikishimakan

Consolidated Financial Results for FY3/20 Q3

February, 2020

Takumi Ueda
President

KYORITSU
HOTELS & DORMITORIES

9616

- 01** **Consolidated Financial Results for nine month period ended December 31, 2019** **P. 2**

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- 03** **Progress in Mid-term Management Plan (FY3/18-FY3/22)** **P.20**

*Natural hot spring Sansa no Yu
Dormy Inn Morioka*



**Consolidated
Financial Results
for nine month
period ended
December 31, 2019**



Meiji Global Village

Executive Summary

1

The 9th straight year of the increased Q3 ordinary profit and the 8th straight year of hitting a highest-ever Q3 ordinary profit

2

The opening of new facilities in the first three quarters in line with plan

- **Dormitory business 14 facilities (1,505 rooms), Dormy Inn business 4 facilities (705 rooms), Resort business 3 facilities (235 rooms)**

3

Stable growth in Dormitory business : FY3/20 Q3 operating profit +5.7% vs. PY

(Occupancy rate at the beginning of FY3/20 was 98.7%, an increase of 1.0pp vs.PY)

4

Hotel business was recovered from natural disasters, but operating profit declined slightly

- **Dormy Inn business has continued to grow, by overcoming the impact of inbound tourism.**
- **In Resort business, although current condition has gradually improved, the effect of the typhoon in October has still lingered in some regions and it did not cover the cost of preparations to open new hotels.**

FY3/20 Q3 Consolidated Financial Results and KPIs

(Unit: oku yen=100 MM yen)

	FY3/19 Q3 Act	FY3/20 Q3 Act	vs. PY	
Revenue	1,238.8	1,330.9	+92.1	+7.4%
Operating Profit	120.4	122.2	+1.7	+1.5%
Ordinary Profit	117.5	121.4	+3.9	+3.3%
Net Profit	79.7	81.8	+2.1	+2.6%
EPS(Yen)	204.5	209.9	+5.3	+2.6%

Depreciation Expense	34.9	38.0	+3.0	+8.7%
Cash Flow*	114.6	119.8	+5.1	+4.5%

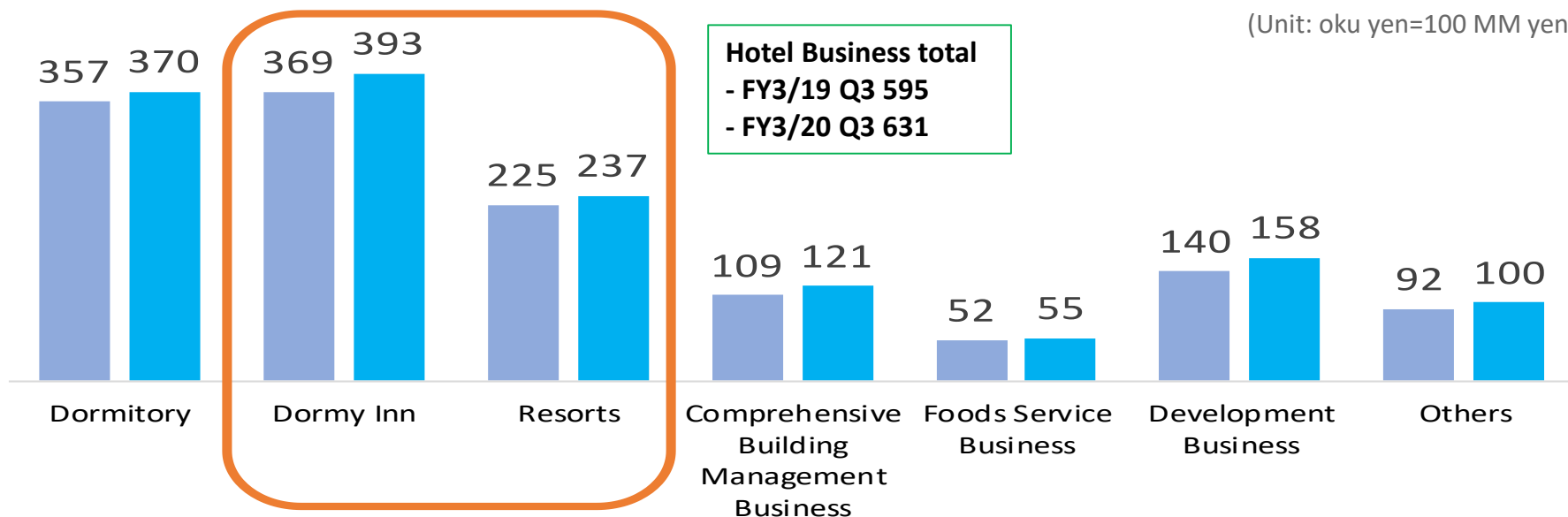
* Net profit + Depreciation expense

FY3/20 Q3 Revenue and Operating Profit by business segment

(Unit: oku yen=100 MM yen)

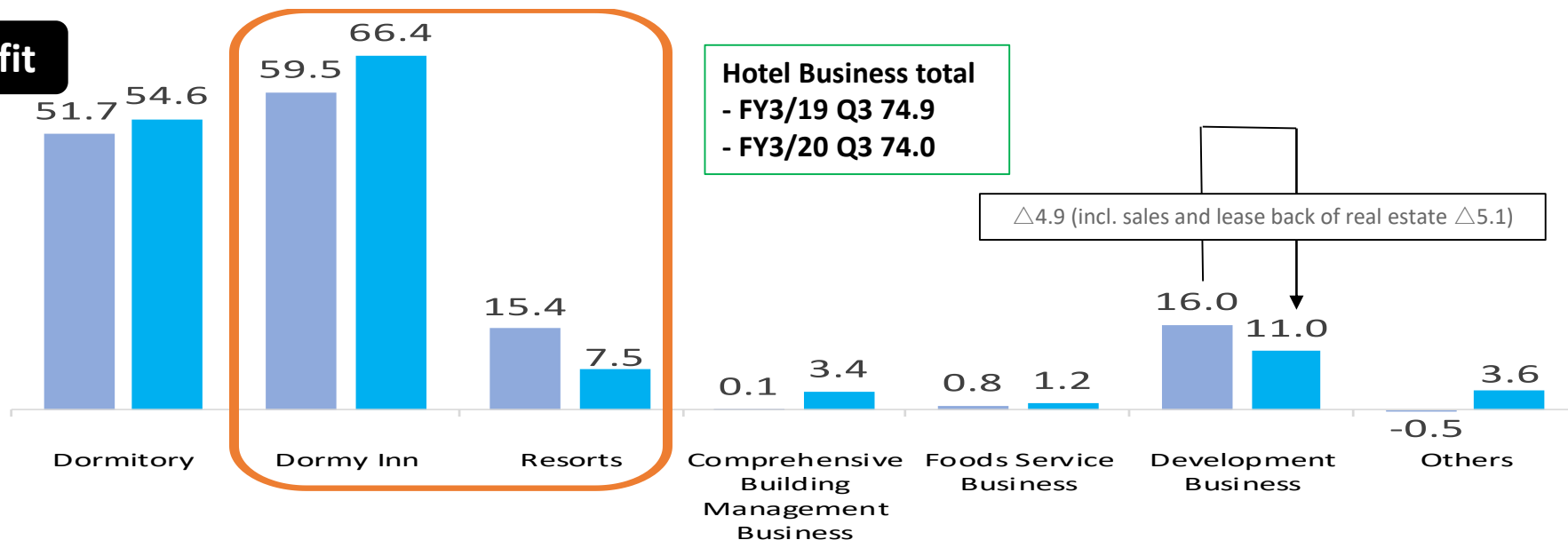
Revenue

■ FY3/19 Q3
■ FY3/20 Q3



Operating Profit

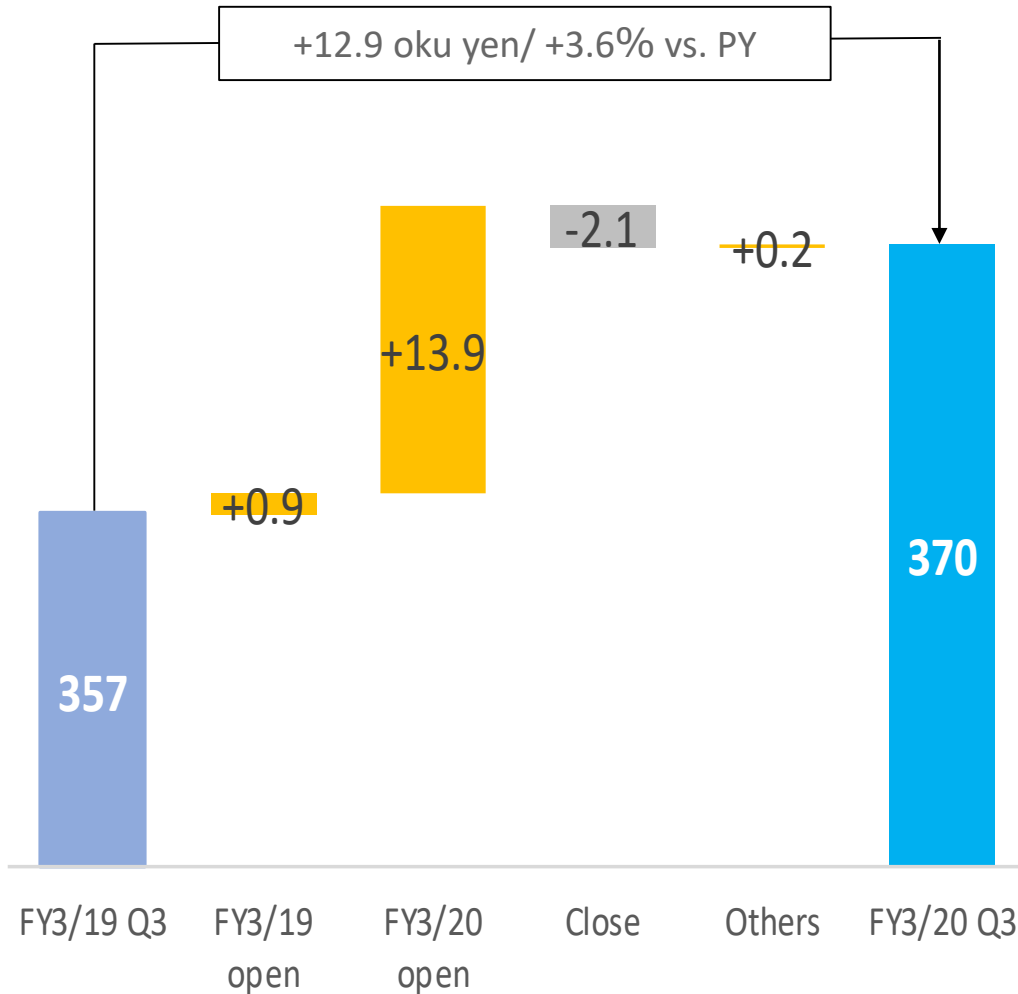
■ FY3/19 Q3
■ FY3/20 Q3



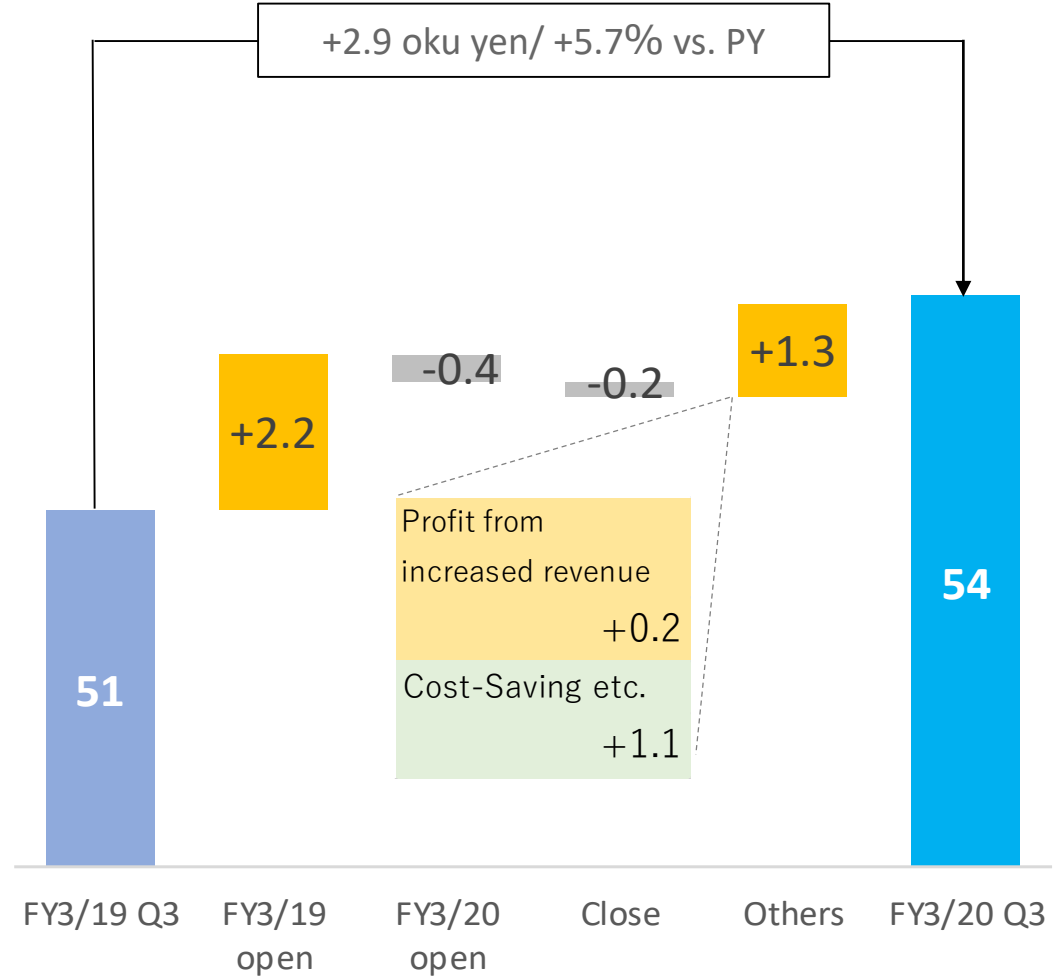
Dormitory Business: FY3/20 Q3 Revenue and Operating Profit

(Unit: oku yen=100 MM yen)

Revenue

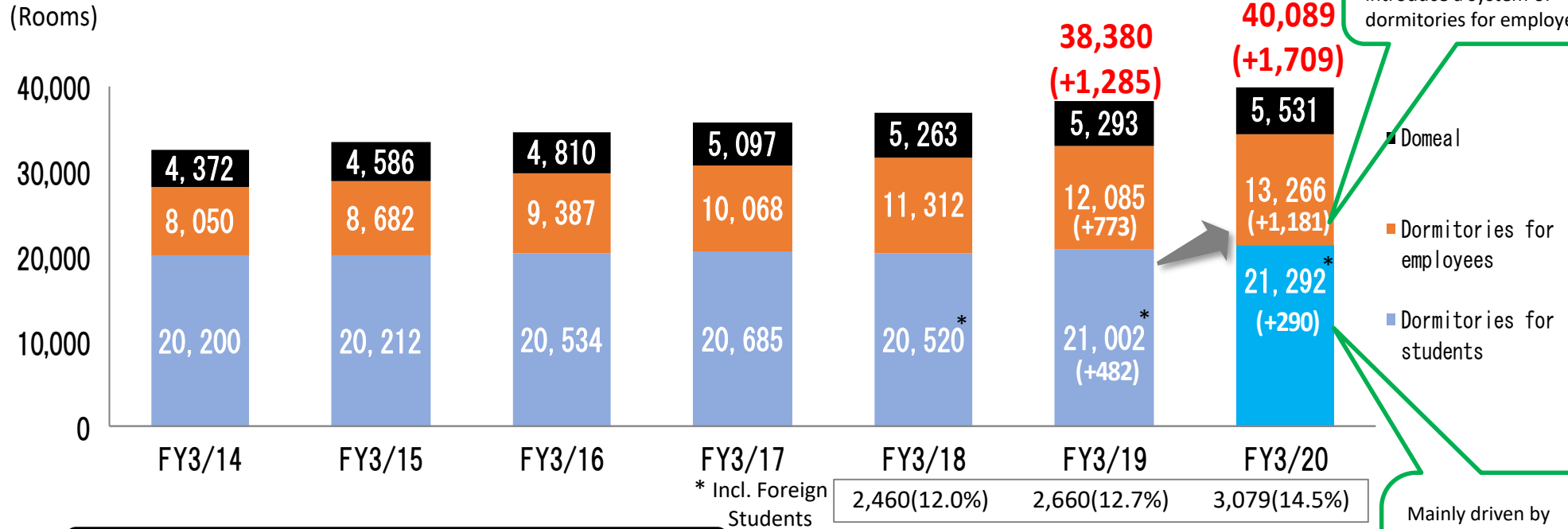


Operating Profit

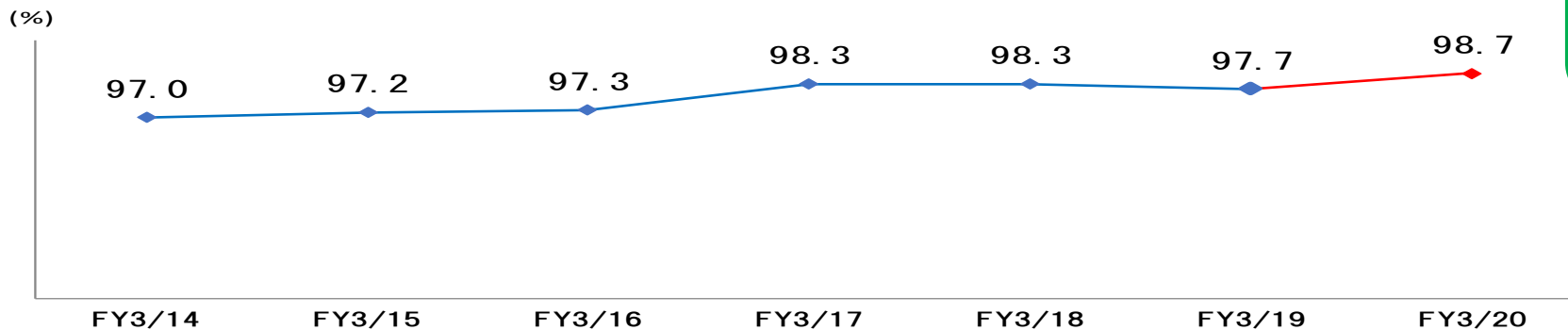


Dormitory Business: Number of contracted rooms and occupancy rate at the beginning of FY (Historical data)

Number of contracted rooms at the beginning of FY – by category



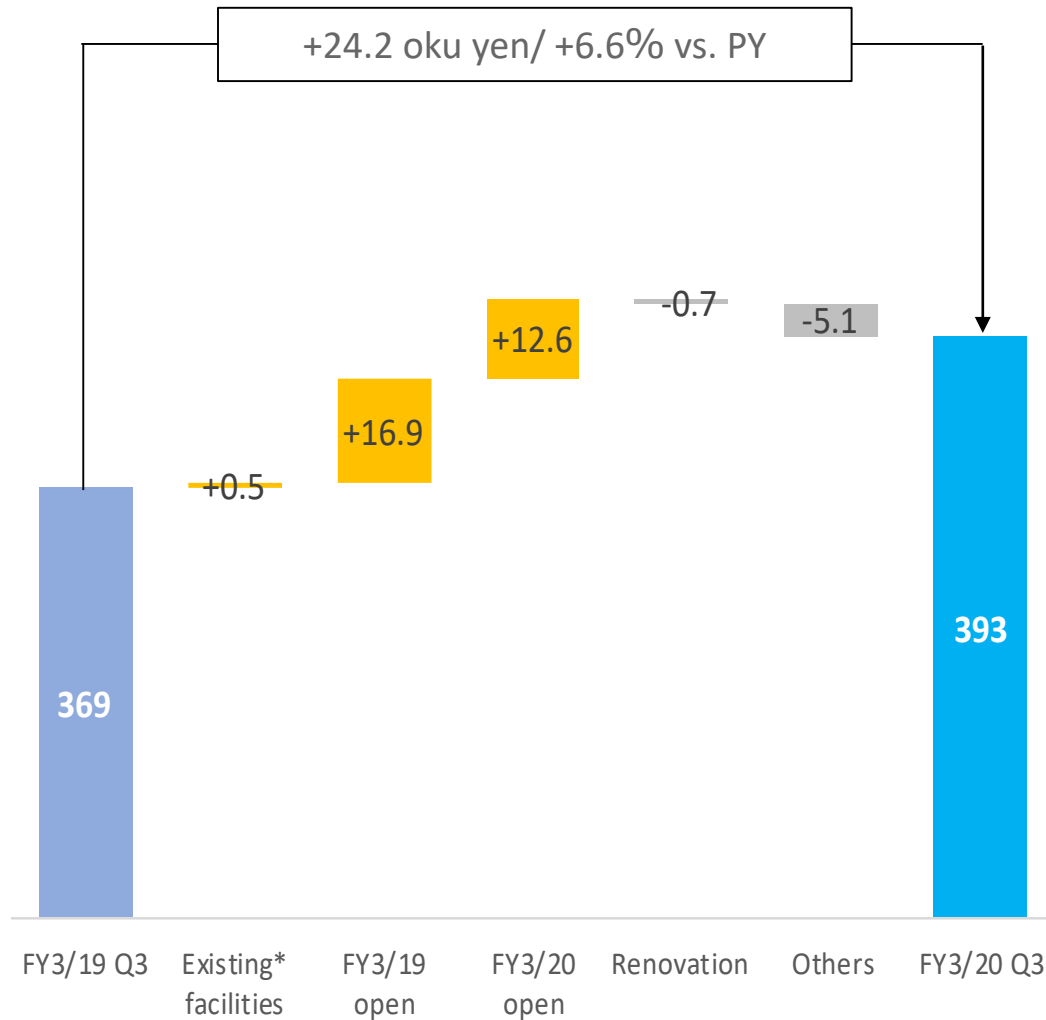
Occupancy rate at the beginning of FY



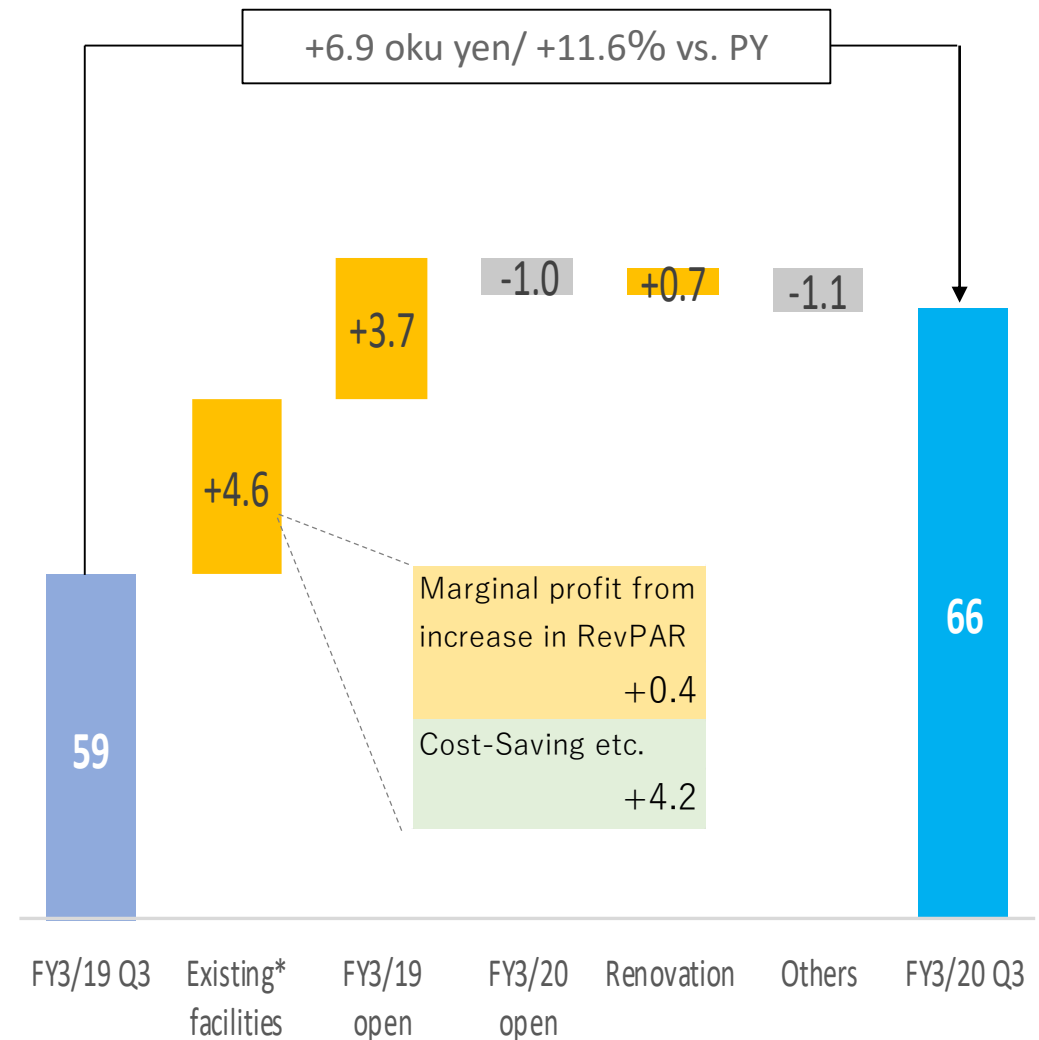
Dormy Inn Business: FY3/20 Q3 Revenue and Operating Profit

(Unit: oku yen=100 MM yen)

Revenue



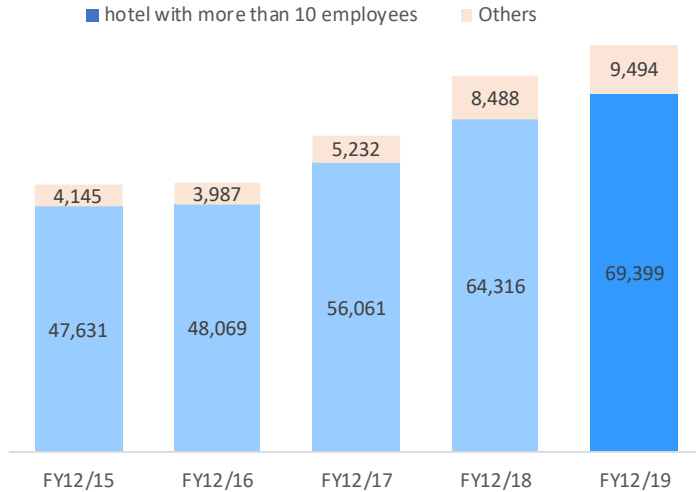
Operating Profit



Dormy Inn Business: Related data of inbound tourism

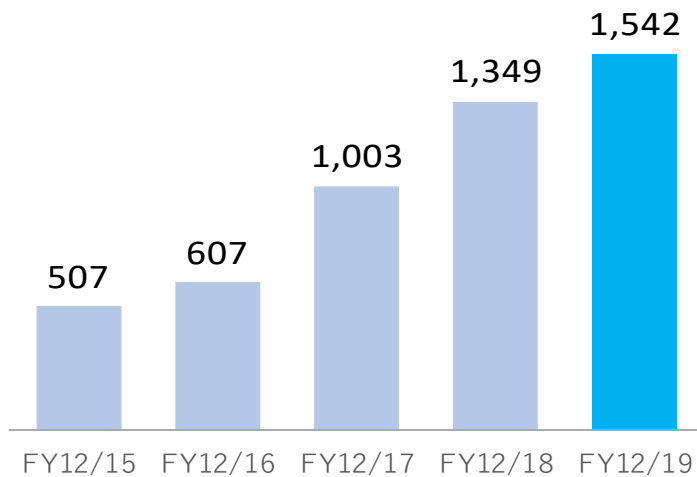
The number of inbound hotel guests

Source : Japan tourism agency Unit: Thousand People



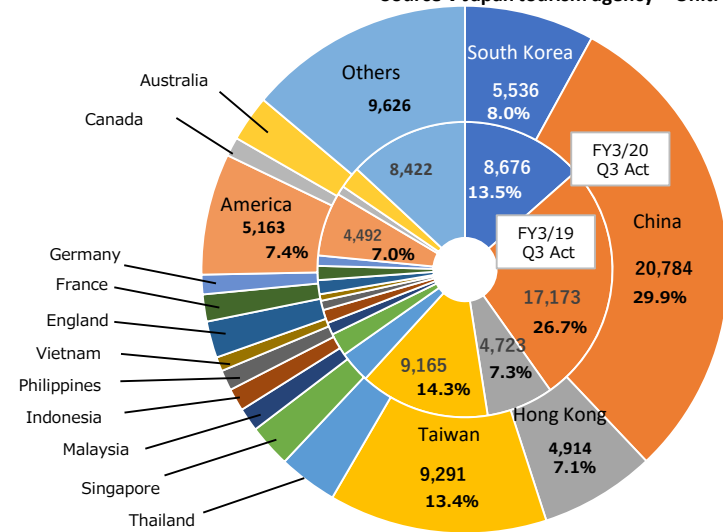
The number of inbound guests - Dormy Inn

Unit: Thousand People

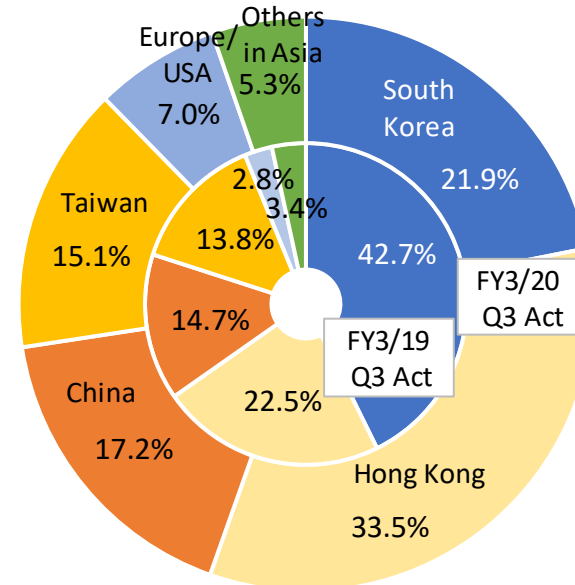


Share by country in inbound tourism – FY9/19

Source : Japan tourism agency Unit: Thousand People



Share by country in inbound tourism on a revenue basis

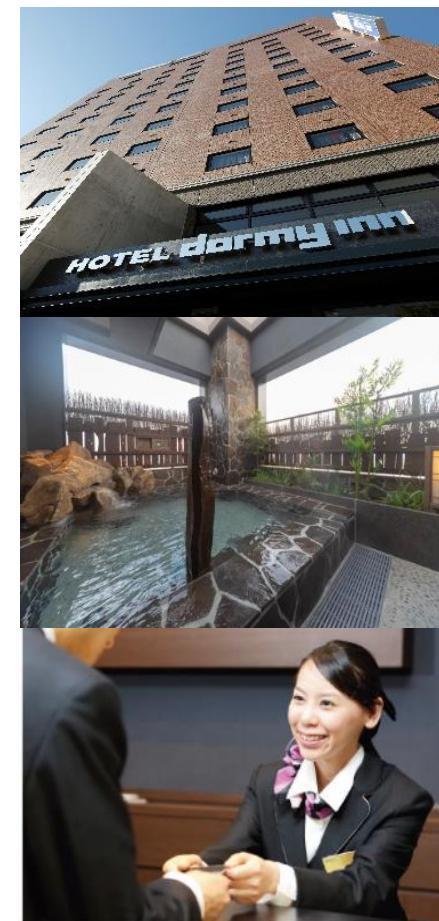


Third-party evaluation on Dormy Inn

Dormy Inn attained first place for the business hotel department at JCSI in 2019

Score of Customer Satisfaction in the Business Hotel Category

Ranking	FY2019	FY2018	FY2017
1	↑ Dormy Inn 81.7	→ Richmond Hotels 81.8	→ Richmond Hotels 81.2
2	↓ Richmond Hotels 81.0	↑ Dormy Inn 80.0	↑ Super Hotels 80.7
3	→ Comfort Hotels 79.1	↑ Comfort Hotels 79.0	↑ Daiwa Roynet Hotels 79.4
4	→ Super Hotels 78.5	↓ Super Hotels 78.3	↓ Dormy Inn 79.2
5	→ Daiwa Roynet Hotels 77.4	↓ Daiwa Roynet Hotels 77.3	→ Comfort Hotels 76.6

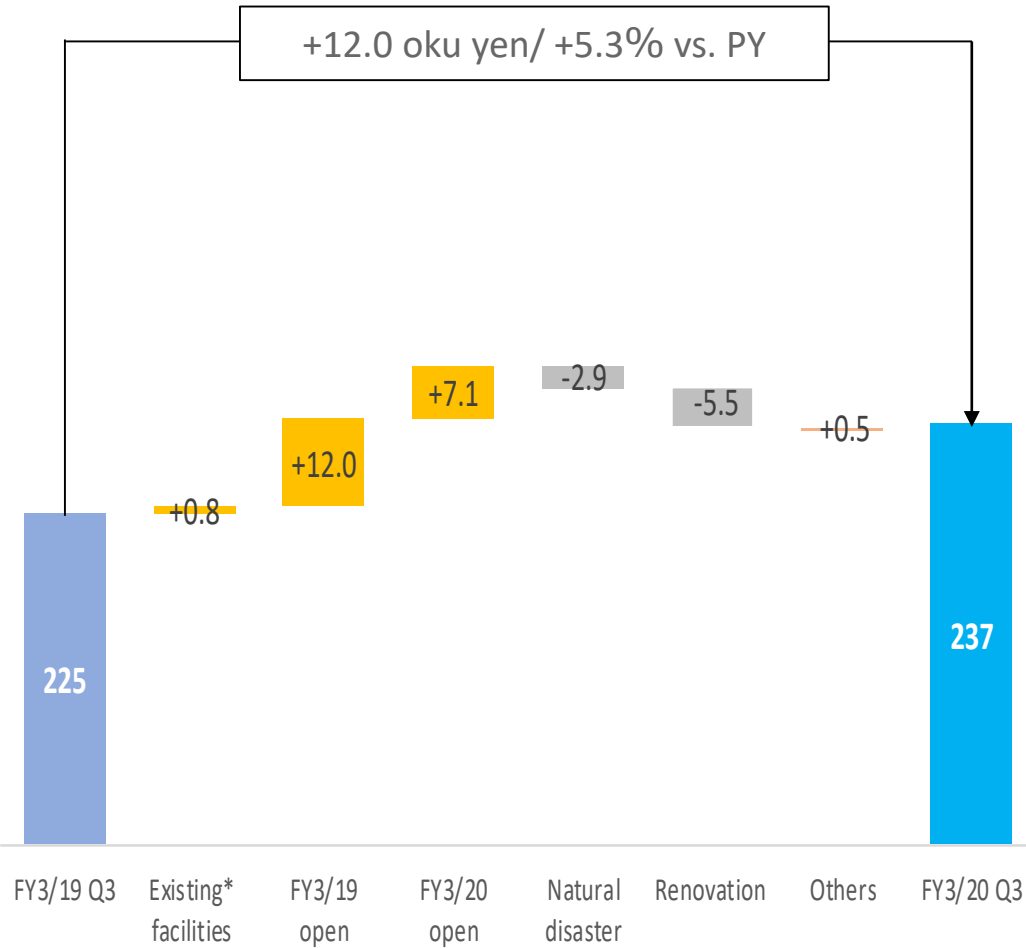


“JCSI(Japanese Customer Satisfaction Index)” is a survey of the customer satisfaction index in the service industries. Japan Productivity Center is conducting a survey at six times per year, approximately 30 industries, about 400 companies are targeted.

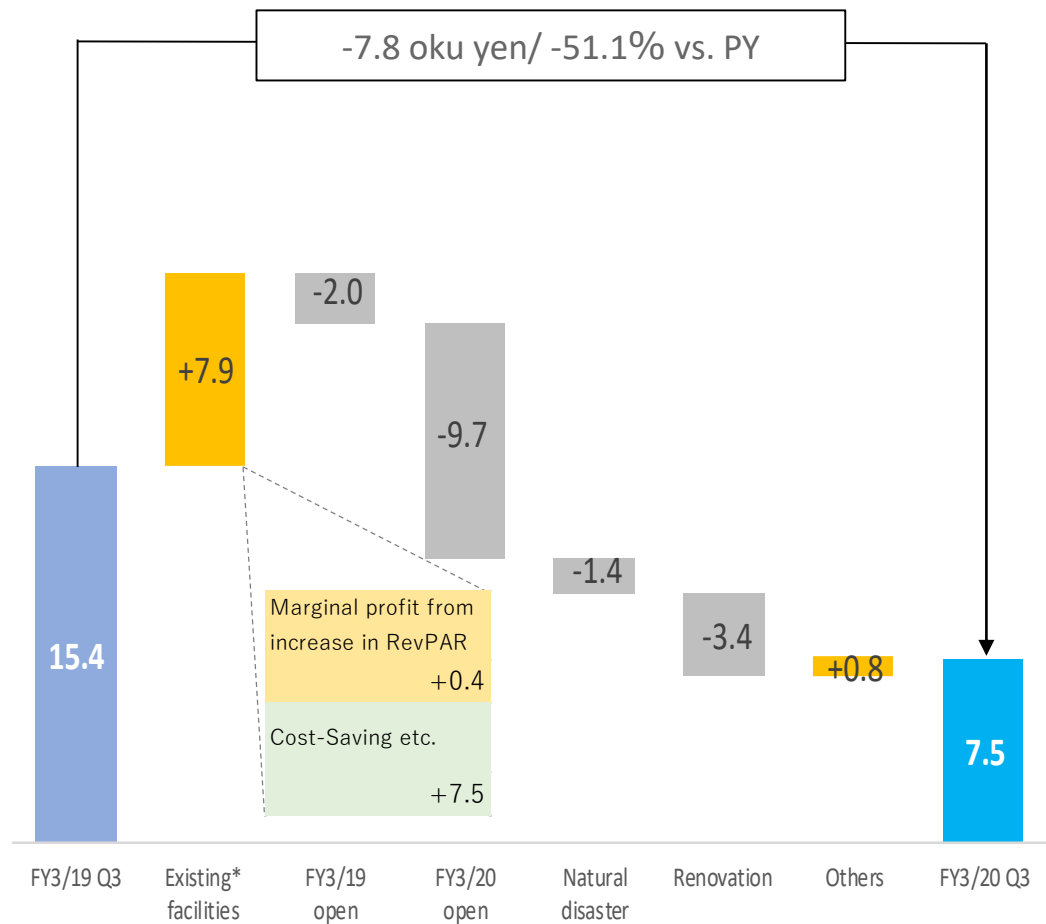
Resort Business: FY3/20 Q3 Revenue and Operating Profit

(Unit: oku yen=100 MM yen)

Revenue



Operating Profit



Other Businesses: FY3/20 Q3 Revenue and Operating profit

(Unit: oku yen=100 MM yen)

Revenue : +10.9% vs. PY

Operating profit : +17.4% vs. PY

Comprehensive Building Management Business

Foods Service Business

Development Business

Others

Comprehensive Building Management Business

Foods Service Business

Development Business

Others

■ FY3/19 Q3

■ FY3/20 Q3

■ FY3/19 Q3

■ FY3/20 Q3

109

121

+12.8

52

55

+3.3

+18.9
incl. sales and lease back
of real estate +28.4

140

158

+7.8
incl. PKP +5.9,
Senior +0.4

92

100

+3.2

0.1

3.4

+0.3

0.8

1.2

-4.9
incl. sales and lease back
of real estate -5.1

16.0

11.0

+4.2
incl. PKP +0.1,
Senior +0.7

-0.5

3.6

Balance Sheet

As of Mar. 31, 2019

Assets 202.5 bn yen	Liabilities 122.9 bn yen
Cash and deposits 16.6 bn yen	Interest-bearing liabilities 82.9 bn yen
	*Including 19.9 bn yen in convertible bond
Non-current assets 160.7 bn yen	Net Assets 79.5 bn yen
	Treasury shares -0.3 bn yen

As of Sep. 30, 2019

Assets 208.9 bn yen (+6.4 bn yen)	Liabilities 124.5 bn yen (+1.6 bn yen)
Cash and deposits 20.4 bn yen (+3.8 bn yen)	Interest-bearing liabilities 89.7 bn yen (+6.8 bn yen)
	*Including 19.9 bn yen in convertible bond
Non-current assets 160.5 bn yen (-0.2 bn yen)	Net Assets 84.3 bn yen (+4.8 bn yen)
	Treasury shares -0.3 bn yen

As of Dec. 31, 2019

Assets 211.6 bn yen (+2.7 bn yen)	Liabilities 125.8 bn yen (+1.3 bn yen)
Cash and deposits 15.0 bn yen (-5.4 bn yen)	Interest-bearing liabilities 88.4 bn yen (-1.3 bn yen)
	*Including 19.9 bn yen in convertible bond
Non-current assets 162.2 bn yen (+1.7 bn yen)	Net Assets 85.7 bn yen (+1.4 bn yen)
	Treasury shares -0.3 bn yen

Our efforts against ESG

• Enhancing Corporate Governance System

- Appointment of outside directors (We will increase the number of outside directors by focusing on personality carefully.)

Outside director (not Audit and Supervisory Board Member, 1 director) : New position created in June, 2019. Former commissioner of the Japan tourism agency. Personnel with seasoned knowledge of Japan transport/ tourism administration

Outside director (Audit and Supervisory Board Member, 2 directors) : Personnel with seasoned knowledge of finance, accounting, corporate management and economics

- Above 3 members have been already listed in TSE as “independent executive”. They attend our BOD meeting regularly and monitor our management health carefully with some constructive opinions.
- Setting aside enough time for our shareholders to give a lot of thought to the bills of our shareholders meeting through early electronic disclosure of notice of shareholders’ meeting

• Gender Equality



- Appointment of the first female director for us in the shareholders meeting to be held in June, 2019
- Underlying upward trend in the ratio of female full-time employees (47.5% at the end of Mar, 2019, +4.9pp compared to the end of Mar, 2016)
- Moderately upward trend in both the ratio of female management positions to all management positions and that of female management positions to female full- employees

• Affordable and Clean Energy



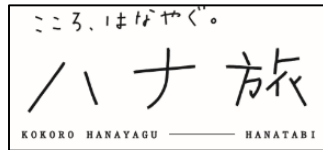
- Investment in renewables
 - Actively participating in “local production of electricity for local consumption” by Nakanojo, Gunma (local government)
- Activities for Environmental Conservation
 - Environmental practice of “WECO*” as a Dormy Inn original effort
 - The Introduction of business card made from limestone

- An effort to seek an environmental conservation by limiting a scope of our cleaning task under customers’ request

Awareness of our company



- Distributed corporate TV commercials to live broadcasting of the Hakone Ekiden – undoubtedly one of the well-known Ekiden races held in Japan
- TV Asahi Original Program/Provision of TBS radio program original corner



たまむすび

- Provision of Nippon Television “Sukkiri” and Fuji Television “Non-stop” programs(February–March)
- Broadcasting the PR video of Kyoritsu Resort
- Acting as an official sponsor of the Japan Women’s Football League in 2019,

We have signed an official sponsorship agreement with the “Nadeshiko League”, where strong and healthy women shine brightly. We will eagerly support popularization activities meant to convey dreams of achievement and feelings of inspiration from the hard-playing athletes in the “Nadeshiko League” to as many people as possible.



■ Enhancement of IR activities – participating in various IR events

- IR activities for domestic investors: Some briefing sessions for individual and institutional investors, participating in IR fairs and one-on-one meeting with investors, etc.
- IR activities for overseas investors: IR Road Show, participating in some IR conferences - 5 times in FY3/19

Further improvement in customer satisfaction

■ Setting up and enhancement of comprehensive customer network

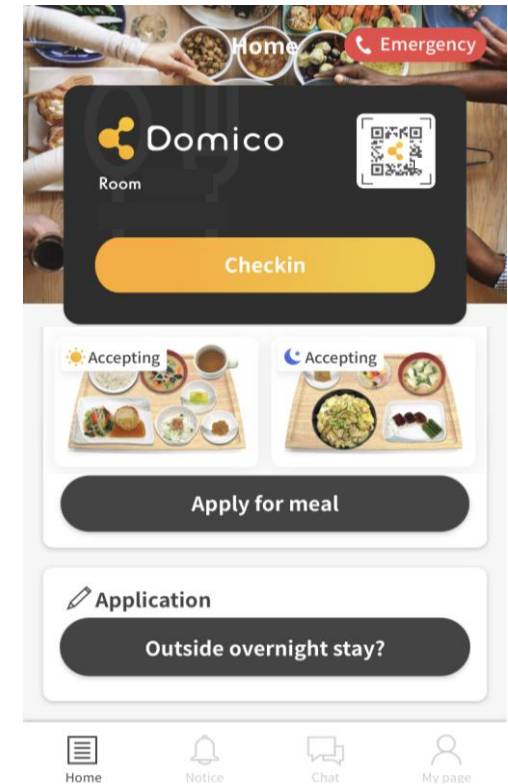
- Utilization of comprehensive customer database that leads to very kind hospitality
- Designing a membership program so that customers can use our company over an extended period of time
- Starting point program so that our customers can enjoy the benefits by using of our site to reserve our hotels. The number of members of our site at the end of Dec, 2019 was 790 thousand people, increasing +43.6% compared to the end of March, 2018.



■ The development of an application named “Domico” for residents of our dormitories (Introduced for all dormitories in 2020)

Offering the following convenient features for all residents “through mobile phone” with Domico.

- Much easier to have an order of board after being in visual contact with meals
- Easy access to daily events and useful information
- Close contact with host mothers and host fathers , etc.



Forecast for Consolidated Financial Results for FY3/20



Scene of dormitory for students



Akinomiya hot spring resort –
Yukemuri no Yado Inazumi hot spring

FY3/20 Consolidated Financial Forecast and KPIs

(Unit: oku yen=100 MM yen)

	FY3/19	FY3/20	vs. PY	
	Act	Forecast		
Revenue	1,628.1	1,830.0	+201.8	+12.4%
Operating Profit	145.6	157.0	+11.3	+7.8%
Ordinary Profit	143.2	154.0	+10.7	+7.5%
Net Profit	95.6	102.0	+6.3	+6.6%
EPS(Yen)	245.4	261.6	+16.1	+6.6%

Capital Investments	174.8	153.4	-21.4	-12.3%
Depreciation Expense	47.5	50.0	+2.4	+5.0%
Cash Flow*	143.2	152.0	+8.7	+6.1%
DPS (Yen)	45	47	+2.0	+4.4%
DPR	18.3%	18.0%	-0.4pp	-

* Net profit + Depreciation expense

- Incl. negative impact of 14.5 oku yen vs. PY – opening expense +4.5 oku yen, huge renewal expense, etc. +8.0 oku yen and system modification fee +2.0 oku yen for customer satisfaction improvement
- The Company does not change the FY3/20 consolidated financial forecasts announced on May 15, 2019. This decision was made because, although we continue to recover from typhoons and other natural disasters, and we expect major improvements in consolidated earnings due to the sale and lease back of real estate, at this point it is difficult to predict the impact that the novel coronavirus will have on the hotel business.

Key assumptions in FY3/20 Forecast

Dormitory Business

- Occupancy rate at the beginning of FY3/20: **98.7%, +1.0pp vs. PY**
- Number of contracted rooms at the beginning of FY3/20: **40,089, +4.5% vs. PY**

Dormy Inn Business

- Number of hotels/rooms planned to open in FY3/20:
 - 7 hotels/ 1,535 rooms (+11.6%)
- RevPAR (thousand yen): **10.3, +3.0% vs. PY**

Resort Business

- Number of hotels/rooms planned to open in FY3/20:
 - 3 hotels/ 235 rooms (+8.9%)
- RevPAR (thousand yen): **36.7, +4.8% vs. PY**

FY3/20 Development Plan

	FY3/18 Results		FY3/19 Results		FY3/20 Plan	
Dormitory MTMP**7,000 rooms Until FY3/20 Open Around 4,300 rooms Progression rate 61%	+10 facilities	+963 rooms	+14 facilities	+1,780 rooms	+15 facilities	+1,574 rooms
	Noda ANNEX, Senjunakamachi, Tsunashimaekimae, Higashiosaka, Maihama, Minamikoshigaya, Irinaka II, Koroen, Kotoni II, Pedal Hanakoganei		Waseda, Hikifune, Keiotsunashima, Tsurugashima, Omoromachi, Kaihinmakuhari, Tokorozawa, Hakataekiminami II, Kokuraekimae, Hokudaimae2, Hanazonomarutamachi, Ryokuchikouen3, Ookurayama, Shounanfujisawa II		Sendaihigashiguchi V, Motoyama, Osakatenma, Kagoshima, Tenjinminami, Kobe, Ichigaya, Komagome, Meiji global village, Setagayatodoroki, Kamishakujii, Minamiurawa, Dokkyodaigakumae, Kyotogoshominami, Kanazawaekinishi	
Dormy Inn MTMP** 9,000 rooms Until FY3/20 Open Around 4,600 rooms Progression rate 51%	+9 facilities	+1,571 rooms	+9 facilities	+1,530 rooms	+7 facilities	+1,535 rooms
	PREMIUM Kanda, Miyazaki, global cabinGL Suidobashi, Kofumarunouchi, Izumo, EXPRESS Sendai-Seaside, Nono Nara, Kochi, Matsuyama		Honhachinohe, Osakatanimachi, Korakuen, Oita, global cabin Hamamatsu, global cabin Yokohamachukagai, Takamatsuchuokoenmae, PREMIUM Namba ANNEX, PREMIUM Osakakitahama		Maebashi Apr Fukui Jun Morioka Jul Nono Asakusa Oct Kawasaki Feb Furano Mar Mito Mar	
Resorts MTMP**1,400 rooms Until FY3/20 Open Around 660 rooms Progression rate 47%	+4 facilities	+253 rooms	+2 facilities	+171 rooms	+3 facilities	+235 rooms
	Keiun (Izumo), Tsukiyo no Usagi (Izumo), Le Chien Kyu-Karuizawa, Suiun (Gora)		La Vista Kirishima (Kagoshima), Shirakawago (Gifu)		Echigoyuzawa Apr Kotohira (Kagawa) Sep Inazumi (Akita) Nov	

*Echigo Yuzawa hot spring
Yukemuri no Yado Yuki no Hana*



**Progress in Mid-term
Management Plan
(FY3/18 - FY3/22)**



*Nankishirahama
Hamachidori no Yu Kaishu*

Key quantitative targets of mid-term management plan and progress report

Name of MMP

Kyoritsu Jump Up Plan

Outline

1. Customer satisfaction improvement

- Produce products and services that lead to better customer satisfaction, raise customers' assessment of the Company and get greater trust

2. Advanced development

- Expand business bases and build a solid business foundation

Key Quantitative Targets/ Development Plan

Key Quantitative Targets	Starting FY for Mid-term Management Plan (FY3/17)	Progress at the end of FY3/19	Final FY of Mid-term Management Plan (FY3/22)
Revenue	1,358 oku yen	1,628 oku yen (CAGR: +10%)	2,200 oku yen (CAGR: +10%)
Operating Profit	118 oku yen	146 oku yen (CAGR: +11%)	190 oku yen (CAGR: +10%)
Net D/E Ratio	0.9x	0.8x	Maintain lower than 1.0x for securing financial health
DPR	16.8%	18.3%	Advance gradually to more than 20%
ROE	11.7%	12.6%	More than 10%

Development Plan	Starting point for Mid-term Management Plan (At the end of Mar, 2017)	Progress at the end of FY3/20 Q3 (FY3/18 - FY3/20 Q3 end / cumulative)	Final FY of Mid-term Management Plan (At the end of Mar, 2022)
Dormitory	37,000 rooms	- Opened: 4,248 rooms - Already decided: Around 6,000 rooms (Progression rate: 86%)	7,000 rooms
Dormy Inn	10,200 rooms	- Opened: 3,806 rooms - Already decided: Around 9,000 rooms (Progression rate: 100%)	9,000 rooms
Resort	2,200 rooms	- Opened: 659 rooms - Already decided: Around 1,500 rooms (Progression rate: 107%)	1,400 rooms

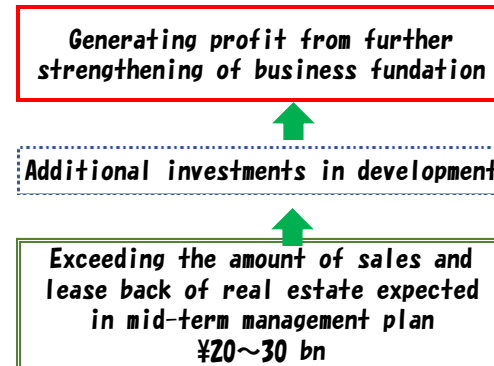
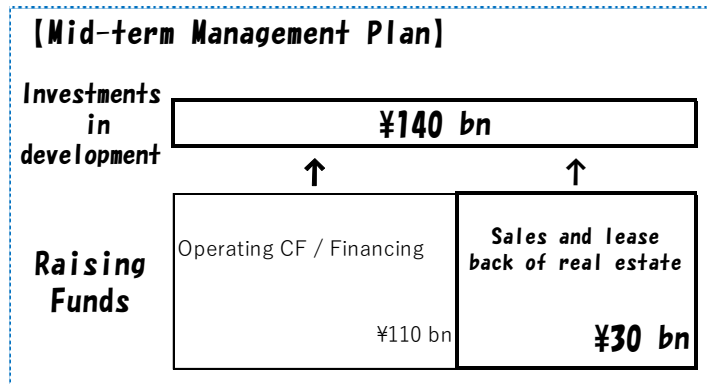
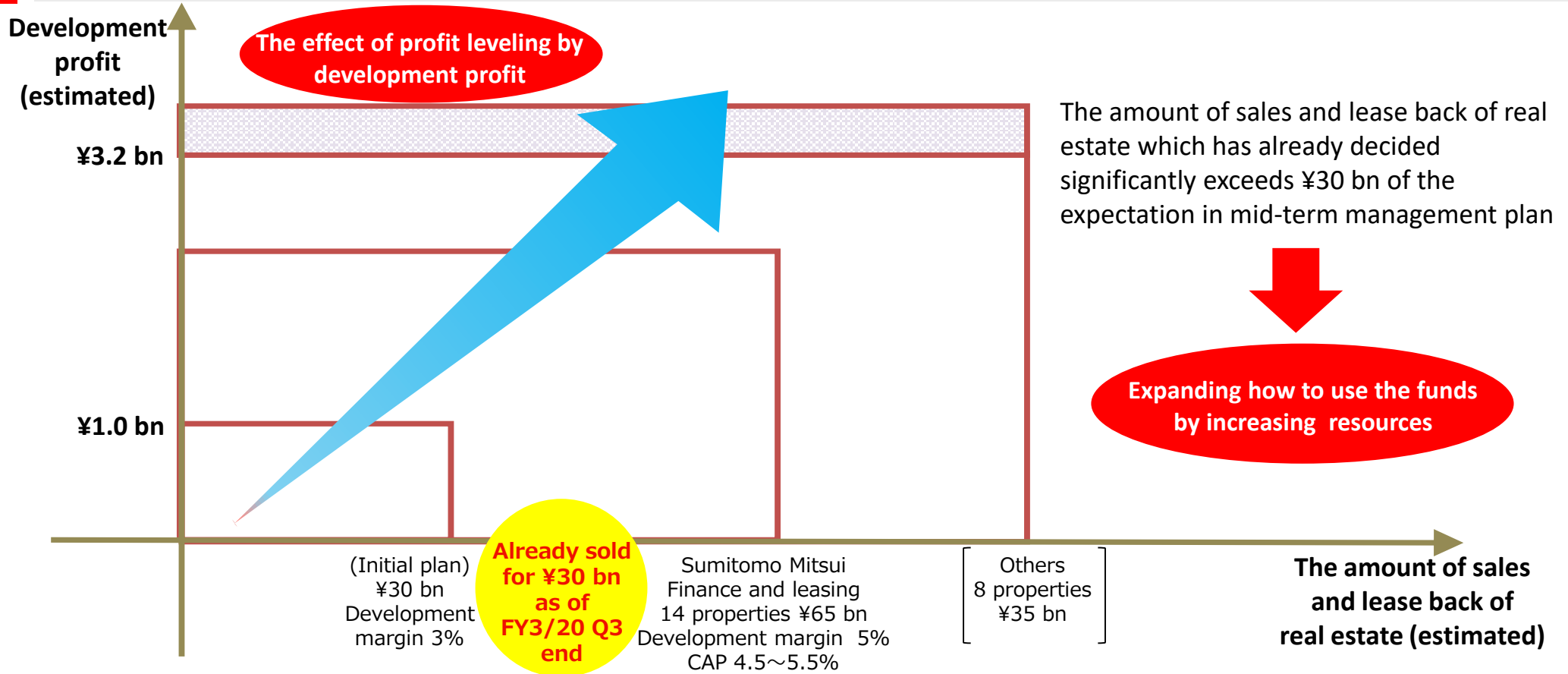
Development plan of dormitories and hotels leading to sustainable growth

	FY3/18 Results		FY3/19 Results		FY3/20 Plan		FY3/21 Plan		FY3/22 Plan	
Dormitory	+10 facilities*	+963 rooms*	+14 facilities*	+1,780 rooms*	+15 facilities*	+1,574 rooms*	+16 facilities*	+1,262 rooms*	+5 facilities*	+437 rooms*
FY3/17 :	Available facilities	473 facilities	Available facilities	485 facilities	Available facilities	493 facilities	Available facilities	505 facilities	Available facilities	507 facilities
463 facilities /37,000 rooms	Lease ratio	88.5%	Lease ratio	88.5%	Lease ratio	87.4%	Lease ratio	87.7%	Lease ratio	87.5%
	Available rooms	38,166 rooms	Available rooms	39,450 rooms	Available rooms	40,632 rooms	Available rooms	41,796 rooms	Available rooms	41,992 rooms
MTMP**7,000 rooms	Noda ANNEX, [L]Senjunakamachi, [L]Tsunashimaekimae, Higashiosaka, [L]Maihama, [L]Minamikoshigaya, [L]Irinaka II, [L]Koroen etc.		[L]Waseda, [L]Hikifune, [L]Keiotsunashima, [L]Tsurugashima, Omoromachi, [L]Kaihinmakuhari, [L]Tokorozawa, [L]Hakataekiminami II, [L]Kokuraekimae etc.		[L]Sendaihigashiguchi V, [L]Motoyama, [L]Osakatenma, [L]Kagoshima, [L]Kobe, [L]Ichigaya, [L]Komagome, Meiji global village, [L]Setagayatodoroki etc.		[L]Sapporokita, [L]Nippori, [L]Sendaihigashiguchi, [L]Nagoyanishin, [L]Hamadayama, [L]Komazawakoen, [L]Esakakoen, [L]Hyakumanben ANNEX [L]Hamadayama [L]Azabujuban etc.		[L]Sakado II, Niigata II, [L]Kyoto Kuinabashi, [L]Hiraoekimae, [L]Iriya	
→Already decided Around 6,000 rooms Progression rate 86%										
Dormy Inn	+9 facilities	+1,571 rooms	+9 facilities*	+1,530 rooms*	+7 facilities	+1,535 rooms	+8 facilities	+1,949 rooms	+12 facilities	+2,440 rooms
FY3/17 :	Available facilities	72 facilities	Available facilities	80 facilities	Available facilities	87 facilities	Available facilities	95 facilities	Available facilities	107 facilities
64 facilities /10,200 rooms	Lease ratio	98.8%	Lease ratio	98.9%	Lease ratio	99.0%	Lease ratio	99.2%	Lease ratio	99.3%
	Available rooms	11,811 rooms	Available rooms	13,248 rooms	Available rooms	14,783 rooms	Available rooms	16,732 rooms	Available rooms	19,172 rooms
MTMP**9,000 rooms	[L]PREMIUM Kanda, [L]Miyazaki, [L]global cabin Suidobashi, [L]Kofumarunouchi, [L]Izumo, [L]EXPRESS Sendai-Seaside, [L]Nono Nara, [L]Kochi, [L]Matsuyama		[L]Honhachinohe, [L]Osakatanimachi, [L]Korakuen, [L]Oita, [L]global cabin Hamamatsu, [L]global cabin Yokohamachukagai, [L]Takamatsuchuokoenmae, [L]PREMIUM Namba ANNEX, [L]PREMIUM Osakakitahama		[L]Maebashi, [L]Fukui, [L]Morioka, [L]Nono Asakusa, [L]Kawasaki, [L]Furano, [L]Mito		[L]Nono Kyotoshichijo, [L]Kobe, [L]PREMIUM Ginza, [L]Ikebukuro, [L]Nagasakiemimae, [L]Toyohashi, [L]Gotenba, [L]Nono Kanazawa		[L]Nono Matsumoto, [L]Nono Sendai, [L]Tokyo bay(Toyosu), [L]Hiroshima ANNEX, [L]Enoshima, [L]Nono Yodoyabashi, [L]Okayama, [L]Nono Matsue, [L]Nono Kumamoto, [L]Nono Asakusabettei, [L]Yokohama, [L]Fukuyama,	
→Already decided Around 9,000 rooms Progression rate 100%										
Resorts	+4 facilities	+253 rooms	+2 facilities	+171 rooms	+3 facilities	+235 rooms	+6 facilities	+486 rooms		+359 rooms
FY3/17 :	Available facilities	29 facilities	Available facilities	31 facilities	Available facilities	34 facilities	Available facilities	40 facilities	Available facilities	45 facilities
24 facilities /2,200 rooms	Lease ratio	58.7%	Lease ratio	60.2%	Lease ratio	61.6%	Lease ratio	60.4%	Lease ratio	66.9%
	Available rooms	2,478 rooms	Available rooms	2,649 rooms	Available rooms	2,884 rooms	Available rooms	3,370 rooms	Available rooms	3,729 rooms
MTMP**1,400 rooms	Keiun (Izumo), Tsukiyo no Usagi (Izumo), [L]Le Chien Kyu-Karuizawa, [L]Suiun (Gora)		[L]La Vista Kirishima (Kagoshima), [L]Shirakawago (Gifu)		[L]Echigoyuzawa (Niigata), [L]Kotohira (Kagawa), Inazumi (Akita)		[L]La Vista Kusatsu (Gunma), [L]Nasushiobara Rengetsu (Tochigi), [L]Wakuraonsen (Ishikawa), Kikuyabettei Suigetsu (Shizuoka) etc.		[L]Kawazu Onsen (Shizuoka), [L]Ninnaji (Kyoto), [L]La Vista Hakodate bay ANNEX, [L]Jozankei etc.	
→Already decided Around 1,500 rooms Progression rate 107%										
Lease ratio (Total)	89.4%		89.7%		89.1%		89.3%		89.8%	

* The number of increase in development facilities/rooms (not available facilities/rooms at the end of FY) ** Mid-term Management Plan

(Note) Red-highlighted parts mean the development facility with higher inbound ratio than our average. Underlined parts mean the developing facilities for sales and lease back of real estate not only complied with but also planned. [L] parts mean the facilities for lease.

Acceleration of Sales and Lease Back of Real Estate



Stable hiring of personnel



Dormy Inn

- Staff for foreigners
 - Supported by our own call-talkers
 - Always positioning our counter clerk (available for English, Chinese and Korean guidance) at Dormy Inn in Tokyo and Kansai region where the inbound ratio is higher than the others
- Staff for cleaning / linen exchange
 - For 18 hotels of Dormy Inn : In house (taking advantage of our high recruitment ability/ hiring without making any distinction according to people's nationality/ providing the highest quality education from us directly)
 - For the other hotels of Dormy Inn : Outsourcing (more than one outsourcing companies per 1 facility)
 - Promoting the efficiency of cleaning/ linen exchange without diminishing the quality through work restructuring

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Further accelerating priority measures of FY3/18-FY3/22 Mid-term Management Plan and delivering stellar results

Thank you!

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HOTELS & DORMITORIES

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